SUPREME COURT, U.S.
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No. 98-377

IN THE
Supreme Court of the United States
OCTOBER TERM, 1998

Q. TODD DICKINSON,
Acting Commissioner of Patents and Trademarks,
Petitioner,

v.

MARY E. ZURKO, THOMAS A. CASEY, JR.,
MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN,
ANDREWS H. MASON, PAUL D. SAWYER,
LESLIE R. KENDALL, and STEVEN P. LIPNER,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF FOR THE RESPONDENTS

Of Counsel

JANICE M. MUELLER
Assistant Professor of Law
Suffolk University Law School
Beacon Hill, 41 Temple Street
Boston, MA 02114
(617) 573-8171

RUSSELL WONG
IRENE KOSTURAKIS
Law Department
Compaq Computer Corporation
P.O. Box 692000
Houston, TX 77269-2000
(281) 514-5167

ERNEST GELLHORN
(Counsel of Record)
JEFFREY S. LUBBERS
ANN G. WEYMOUTH
Suite 100
2907 Normanstone Lane, NW
Washington, DC 20008-2725
(202) 319-7104
Counsel for Respondents

WILSON - EPES PRINTING CO., INC. - 789-0096 - WASHINGTON, D.C. 20001

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QUESTION PRESENTED

Whether the Administrative Procedure Act, 5 U.S.C. §§ 551-59, 701-06, limits or repeals long-standing case law pursuant to which the United States Court of Appeals for the Federal Circuit and its predecessors have applied the "clearly erroneous" standard to review fact-finding by the United States Patent and Trademark Office?

RULE 29.6 STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, respondents state that the certificate of interest set forth in Respondents' Brief in Opposition to Petition for a Writ of Certiorari is unchanged.

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Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR THE RESPONDENTS

STATEMENT OF THE CASE

Respondents filed U.S. Patent Application No. 07/479,666 with the U.S. Patent and Trademark Office ("PTO" or "Patent Office") on February 13, 1990. The application disclosed and claimed an invention that would improve security for transactions between computer systems by using a multi-step method for assuring that the command given on an open, unsecure route (an "untrusted pathway") would be confirmed through a secure route (a "trusted pathway") before being executed. User verification through a secure route prevents unauthorized users from misrepresenting the sender's commands. Respondents' invention was designed to meet the need for security in transmitting sensitive information such as credit

card numbers and personal finances between computer systems (e.g., electronic banking, Internet purchases).

A PTO examiner rejected the claims as "obvious" under 35 U.S.C. § 103.[1] His ruling was affirmed on appeal to the Board of Patent Appeals and Interferences ("PTO Board" or "Board"). Pet. App. 35a (on request for reconsideration).[2]

Respondents appealed this denial of patentability directly to the United States Court of Appeals for the Federal Circuit ("Panel" or "CAFC Panel") pursuant to 35 U.S.C. § 141, and a Panel of that court unanimously reversed the PTO Board. *In re Zurko*, 111 F.3d 887 (Fed. Cir. 1997) (Pet. App. 28a). The CAFC Panel found the Board's finding of fact, that "the prior art teaches, either explicitly or inherently, the step of obtaining confirmation over a trusted pathway" to be "clearly erroneous." *Id.* at 32a. The Panel explained that all prior art references relied on by the Board either made no use of repeat-back commands, *id.* at 33a (discussing UNIX reference), or were limited "to repeating back commands in an unsecure system. *Ibid.* (discussing FILER2 reference). No reference established a trusted path and

[1] The statutory criterion of nonobviousness requires evaluation of the differences between the claimed invention and the prior art "at the time the invention was made." *Id.* at § 103(a). In general, the time of filing is treated as the invention date unless the applicant can establish an earlier date. 37 C.F.R. § 1.131; *see Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1576-77 (Fed. Cir. 1996). Thus, in evaluating the patentabilty of an invention, "the decision maker [must] forget what he or she has been taught . . . about the claimed invention and cast the mind back to the time the invention was made (often, as here, many years), to occupy the mind of one skilled in the art who is presented only with the references, and who is normally guided by the then-accepted wisdom in the art." *W.L. Gore & Assoc., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1553 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 851 (1984).

[2] Except for the order by the Court of Appeals for the Federal Circuit to rehear the matter *en banc*, the decisions by the Panel and *En Banc* courts below are reprinted in appendices to the Petition for Certiorari (hereinafter "Pet. App.").

then communicated the repeat-back over it, as in respondents' claimed invention. Nor did any reference teach communication with the user over both "a trusted *and* an untrusted path" as in the claims submitted by the respondents. *Ibid.* (emphasis in original). Therefore, because the Board's legal conclusion of obviousness was based on clearly erroneous findings of fact, the Panel concluded that "the obviousness of the claimed invention has not been established," *id.* at 34a,[3] and accordingly that the Board should be reversed. *Id.* at 28a; see also *id.* 1a-2a.

In reaching this judgment, the Panel declined the petitioner's request that it apply the "more deferential [review] standard" of Section 706(2) of the APA because modification of the court's long-standing "clearly erroneous" precedent could be made "only [by] the court sitting *en banc*." *Id.* at 32a n.2. Thus, the Panel made no finding that the PTO Board's decisions would have been upheld had it applied the less demanding APA review standards in Section 706(2), and, as a consequence, the case at bar lacks ripeness for review. See Respondents' Brief in Opposition to Certiorari 7 n.2 (explaining that the case at bar is not ripe for review because "there was no finding below that the Board's decision would be upheld . . . [if it had applied] the APA standards in 706(2)").[4]

[3] While the obviousness of a claimed invention pursuant to 35 U.S.C. § 103(a) is ultimately a conclusion of law, it is based on underlying findings of fact such as the scope and content of the prior art, the level of ordinary skill of a worker in the technical field of the invention, the differences between the claimed invention, and the prior art, and the marketplace reaction (e.g., commercial success). *See Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966) (obviousness under § 103 dependent on "several basic factual inquiries"); *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1566 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987).

[4] This ripeness issue was presented to the Federal Circuit in Appellants' Opposition to Corrected Petition for Rehearing and Suggestion for Rehearing *In Banc* by Appellee 4-6 (June 20, 1997) (Joint Appendix 93-96), but the court did not include it in its

Nonetheless at the petitioner's suggestion for rehearing, the Federal Circuit ordered that the matter be reheard *en banc* to consider whether "Patent and Trademark Office fact-findings [should be reviewed] under the Administrative Procedure Act standard of review instead of the presently applied 'clearly erroneous standard.'" *In re Zurko*, 116 F.3d 874 (Fed. Cir. 1997) (rehearing order). After an examination of the history of the standard of review applied by reviewing courts to PTO Board fact-finding, the Federal Circuit found that its predecessor, the Court of Customs and Patent Appeals ("CCPA") (and the CCPA's predecessors), had applied a variety of closely related verbal formulations that in each instance "require[d] more rigorous review than is required by the APA" under Section 706(2). *In re Zurko*, 142 F.3d 1447, 1454 (Fed. Cir. 1998) (Pet. App. 1a, 15a). The court of appeals specifically noted the "frequency with which the early [pre-APA] cases used some review standard similar to clear error, [and that] these same cases appear not to have used the substantial evidence . . . [or] arbitrary and capricious standard[s]." Pet. App. 18a. It also found that "[f]ollowing Congress' enactment of the APA the CCPA continued to review Patent Office decisions as it had done before 1947," *ibid.*, and since its founding in 1982, the Federal Circuit also has "consistently applied the clearly erroneous standard when reviewing factual findings of the board." *Id.* at 22a.

As a result, the Federal Circuit unanimously "conclude[d] that [its] more searching clear error standard of review is an 'additional requirement' that was 'recognized' in our jurisprudence before 1947, which we therefore continue to apply under the exception in section 559 [of the APA]." *Id.* at 23a. This conclusion was "buttressed by the principle of *stare decisis*." *Ibid.* The petitioner had "made no suggestion that [the] current standard of review is unworkable, intolerable, prejudicial, burdensome, or even that it adversely affects the administration of the

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rehearing order and it therefore was not further briefed by the parties or considered at oral argument.

patent system." *Id.* at 24a-25a. The *en banc* court therefore held that it would continue to apply the "clearly erroneous" standard to review PTO Board fact-finding and that the decision of the Board should be reversed.

Thus, the question before this Court is whether the less demanding judicial review provisions in Section 706(2) of the APA limit or repeal the long-standing and more searching clear error standard applied by the Court of Customs and Patent Appeals in 1946 when the APA was adopted, and continued since 1982 by the Federal Circuit, despite the clear language in Section 12 of the APA (now codified in 5 U.S.C. § 559) that: "Nothing in this Act shall be held . . . to limit or repeal additional requirements imposed by statute or otherwise recognized by law."

SUMMARY OF ARGUMENT

To ensure that the generic reforms of the Administrative Procedure Act of 1946, 5 U.S.C. §§ 551-59, 701-06, preserved more exacting standards already in place controlling agency action, the APA included a saving provision in the first sentence of its final section stating that "[n]othing in this Act shall be held . . . to limit or repeal additional requirements imposed by statute or otherwise recognized by law." APA § 12, codified in 5 U.S.C. § 559.[5] By its express terms, this clause continued in force preexisting requirements insofar as they imposed obligations in addition to those specified by the APA. This broadly worded first sentence of Section 12 contains no exceptions and applies to the entire Act, including the scope of review of agency fact-finding. Its obvious purpose was to ensure that the APA did not lower standards or weaken other requirements in place when the Act was enacted in 1946.

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[5] Section 12 of the APA was codified by Pub. L. 89-554, 80 Stat. 378, 388 (Sept. 6, 1966), as 5 U.S.C. § 559. Because this codification changed both the wording and placement of Section 12 in the original Act, but not its legal effect, all references herein are to Section 12 as originally worded. *See IT&T v. Local 134, IBEW*, 419 U.S. 428, 431 n.3 (1975) ("no substantive changes were intended" by APA codification).

Applied to judicial review of fact-finding by PTO Boards, Section 12 preserved the "clearly erroneous" test applied by the Court of Customs and Patent Appeals ("CCPA") at the time the APA was enacted because this more searching review standard is an "additional requirement" that has been consistently applied by the CCPA since 1929 and by its successor, the Federal Circuit, since 1982.

The petitioner argues, however, that the "additional requirements" in Section 12 do not apply to standards for judicial review of fact-finding by the PTO. He contends that the terms do not mean what they appear to say because (a) a standard of review is not a "requirement," (b) the saving clause refers only to matters not addressed by the APA itself, and (c) at most, the "additional requirements" terms encompass only the APA's "core" provisions on information, informal rulemaking, or formal hearings.

But petitioner does not identify where these limitations can be found in Section 12 or any other section of the APA. Nor does he identify any authority applying Section 12 in such a narrow fashion. Indeed, his construction is directly contrary to firm precedents of this Court interpreting Section 12 as including matters also covered by the APA, reading broadly worded saving clauses as written, and limiting implied repeals to unusual situations where there is an "irreconcilable conflict" so that the two laws cannot mutually coexist. Petitioner's argument also disregards the Act's structure, purpose and history, all of which demonstrate that the APA was designed to strengthen agency practices and solidify judicial review, not to weaken either. Nor does he identify any persuasive public policy support for this proposed change in a standard that has been applied continuously since at least 1929. The standard is well understood, encourages more careful PTO fact-finding, and thus is only infrequently applied to reverse PTO fact-finding. Until the petitioner's current campaign for greater deference, no responsible advocate or court has argued that PTO fact-

finding was owed greater deference under the APA standards.

Finally, petitioner attempts to dismiss this overwhelming history by arguing that there is no single standard recognized in law because the CCPA did not always use identical terminology in reviewing PTO fact-finding. In fact, these differences have no significance and the legal standard being applied never varied. There is no confusion in the case law and petitioner cannot show that the CCPA ever applied a lesser standard than the "clearly erroneous" test. As the court below demonstrated, "the clear error test or its close cousins" has been the review test used consistently by it and its predecessors to measure whether the PTO's fact-finding should be sustained.

ARGUMENT

A "dissatisfied" applicant may seek review of the PTO Board's rejection of a patent application by filing an appeal directly to the Federal Circuit pursuant to 35 U.S.C. § 141. The Patent Act, however, does not specify the standard of review that the Federal Circuit shall apply to such appeals. Pet. App. 22a. That standard, therefore, is supplied by the judicial review provisions in the Administrative Procedure Act, 5 U.S.C. § 706(2), absent the application of a pre-existing more searching standard pursuant to Section 559, because the PTO is an "agency" within the meaning of the Administrative Procedure Act, 5 U.S.C. § 701(b)(1), and agency action "made reviewable by statute . . . [is] subject to judicial review" pursuant to the terms of the APA. *Id.* § 704; *see Sierra Club v. Glickman*, 67 F.3d 90, 96 (5th Cir. 1995) ("When a statute authorizes judicial review of agency action without providing standards for that review, we look to the APA for guidance."). Relying upon this structure, the petitioner argues that the APA's substantial evidence standard applies to review of PTO Board fact-finding by the Federal Circuit because "[n]othing in the APA . . . authorizes the Federal Circuit to subject the Board's decisions to the

'heightened level of scrutiny' " applied by the court under the "clearly erroneous" standard of review. Pet. Br. 21.[6]

In fact, however, Section 12 of the APA recognizes other review standards where pre-existing "additional requirements [are] imposed by statute or otherwise recognized by law." Because, as the court below found, its predecessor, the Court of Customs and Patent Appeals, had always applied a more searching standard of review than those required in Section 706(2) of the APA, Pet. App. 23a; see also *id.* at 16a, and the Federal Circuit "ha[d] applied the clear error standard—and only this standard—consistently since the court's genesis in 1982," *id.* at 26a, this "more searching clear error standard of review . . . [continued as] an 'additional requirement' that was recognized' in . . . [the CCPA's] jurisprudence before 1947." *Id.* at 23a. A review of scores of CCPA and Federal Circuit decisions on the standard of review applied to PTO Board fact-finding since 1929 further documents the court's conclusion.

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[6] The petitioner wants to have it both ways, first by claiming that the more lenient arbitrary and capricious standard of review under § 706(2)(A) applies, *id.* at 20, and then by "conced[ing]" that the "somewhat more searching" substantial evidence test of § 706(2)(E) governs fact-finding review of PTO Boards. *Id.* at 20 & 21. This analytical ambivalence is reflected in his inconsistent positions on the required standard for "APA review." Three years ago, petitioner proposed that the arbitrary and capricious test of § 706(2)(A) was the required standard. *In re Kemps*, 97 F.3d 1427, 1430 (Fed. Cir. 1996). When that argument did not succeed, he proposed the alternative application of the substantial evidence test under § 706(2)(E). *In re Lueders*, 111 F.3d 1569, 1575 (Fed. Cir. 1997). He has similarly wavered in the case at bar, first arguing for the arbitrary and capricious test before the CAFC Panel, then switching to the substantial evidence standard before the *en banc* court, and now apparently willing to accept any standard as long as it gives greater deference to the PTO.

I. THE CCPA AND FEDERAL CIRCUIT CONSISTENTLY APPLIED A MORE SEARCHING STANDARD TO REVIEW OF PTO FACT-FINDING

Congress' enactment of the APA in 1946 did not change the standard for judicial review of Patent Office decisions because other "recognized law"—i.e., pre-existing case law—applied a more searching "clearly erroneous" test.

A. The CCPA Reviewed Fact-Finding By the PTO Board Under the "Clearly Erroneous" Standard At the Time the APA was Adopted

Since 1929,[7] decisions of the Patent Office have been reviewed by courts of special subject matter jurisdiction: first, by the Court of Customs and Patent Appeals, Act of March 2, 1929, ch. 488, §§ 1 & 2, 45 Stat. 1475, 1475-76; and since 1982, by the United States Court of Appeals for the Federal Circuit. Federal Courts Improvement Act, Pub. L. 97-164, 96 Stat. 25. From the outset, the CCPA applied a "clear error" test as its primary standard of review of PTO fact-finding. *E.g., Thompson v. Chapman*, 36 F.2d 300, 302 (CCPA 1929) (decision of the Board of Appeals "was not clearly erroneous, and therefore is affirmed"); *In re Ford*, 38 F.2d 525, 526 (CCPA 1930) ("well settled" that in presenting appeal from Patent Office fact-finding "it is incumbent upon one appealing therefrom to make out a clear case of error to obtain a reversal"); *In re Hornsey*, 48 F.2d 911, 912 (CCPA 1931) (findings of Patent Office reversible when it was 'clear that they are erroneous"); *Rowe v. Holtz*, 55 F.2d 468, 370-71

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[7] Prior to 1929, the Court of Appeals for the District of Columbia (today the U.S. Court of Appeals for the District of Columbia Circuit) heard Patent Office appeals. *See In re Leuders*, 111 F.3d 1569, 1575 n.6 (Fed. Cir. 1997). The cases found setting forth the standard of review that was applied by the D.C. Court of Appeals to fact-finding in patentability decisions from 1897 to 1928 are listed in Appendix A. As they show, the court consistently applied a "clear error" or similarly worded test, initially derived from *Morgan v. Daniels*, 153 U.S. 120 (1894), Pet. App. 14a, that was continued in the modern era of judicial review of PTO fact-finding with the transfer of jurisdiction of such review to the CCPA.

(CCPA 1932) ("we cannot say that the [Patent Office] tribunals below were clearly in error in their findings"); *Berman v. Rondelle*, 75 F.2d 845, 847 (CCPA 1935) ("under the well-known rule this court will not reverse the decision of the Board under such circumstances, unless it is clearly erroneous"); *In re Ruzicka*, 150 F.2d 550, 553 (CCPA 1945) ("it would necessarily have to be clear that the board erred in this respect before we would be warranted in reversing its holding").

Other times an equivalent test was applied to review PTO fact-finding under nearly identical "manifest error," "manifestly wrong" or "material error" labels. *E.g., Beidler v. Caps*, 36 F.2d 122, 125 (CCPA 1929) (determining whether PTO's finding of lack of diligence in reducing invention to practice was "manifestly wrong"); *Clancy v. De Jane*, 36 F.2d 131, 132 (CCPA 1929) (findings of fact not disturbed unless "material error is shown"); *Stern v. Schroeder*, 36 F.2d 515, 517 (CCPA 1929) ("when the tribunals of the Patent Office concur in findings of fact, such findings will not be disturbed by this court, unless the decision appealed from is manifestly wrong"); *Jardine v. Hartog*, 36 F.2d 606, 607 (CCPA 1930) (where PTO tribunals concurred in the award of priority, "court ought not to reverse the decision . . . unless it is manifestly erroneous"); *In re Demarest*, 38 F.2d 895, 896 (CCPA 1930) (finding of no patentable invention affirmed because not "manifestly wrong"); *Pengilly v. Copeland*, 40 F.2d 995, 996 (CCPA 1930) ("settled rule that this court will not reverse concurring findings of the Patent Office tribunals, except where the court can say the decisions are manifestly wrong"); *In re Anhaltzer*, 48 F.2d 657, 658 (CCPA 1931) ("concurring decisions of the Patent Office tribunals will not be disturbed, unless it appear[s] that they are manifestly wrong"); *In re Batcher*, 59 F.2d 461, 463 (CCPA 1932) ("burden rests upon the party appealing [from boards of the Patent Office] to make it clear that the findings of fact by such tribunals are manifestly wrong"); *Zublin v. Pickin*, 70 F.2d 732, 733 (CCPA 1934) ("unless material error is shown, findings

of fact as to which the tribunals of the Patent Office concur will not be disturbed by us"); *In re Bertsch*, 107 F.2d 828, 831 (CCPA 1939) (Patent Office findings not disturbed unless they are "manifestly wrong"); *In re Ubbelohde*, 128 F.2d 453, 456 (CCPA 1942) ("manifestly wrong"). That the terminology differed was inconsequential, however, because they all amount to the "clear error" standard [8] and because they were used interchangeably. *See In re Bertsch, supra* (applying manifest error test and citing *In re Hornsey, supra*, which had applied the clearly erroneous test); *In re Wietzel*, 39 F.2d 669, 671 (CCPA 1930) (equating "manifestly wrong" and "clearly erroneous" tests).

Still other times, the CCPA added terms such as "weight of the evidence" and "mistake" of fact to the clearly erroneous test, but without changing the CCPA's more searching level of scrutiny of PTO fact-finding. *E.g., Thompson v. Chapman, supra* ("the decision of the Board of Appeals . . . was not against the weight of the evidence, and was not clearly erroneous"); *Jardine v. Long*, 58 F.2d 836, 836 (CCPA 1932) (reversal of PTO Board findings of fact only if "fully convinced that such findings are not in accord with the weight of the evidence when such evidence is fairly weighed and construed"); *Mantz v. Jackson*, 140 F.2d 161, 164 (CCPA 1944) (appellant has heavy burden to show that the PTO "decisions are erroneous"); *Kenyon v. Platt*, 152 F.2d 1006, 1009 (CCPA 1946) ("we cannot say that the finding of the Board is clearly contrary to the weight of the evidence"); *Rodli v. Phillippi*, 154 F.2d 139, 140 (CCPA 1946) (reversal must be based on "most cogent evidence of mistake and miscarriage of justice" in fact-finding of Board of Inter-

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[8] *See Black's Law Dictionary* 962 (6th ed. 1990) ("manifest" is "synonymous with open, clear, visible, unmistakable, indubitable, evident, and self-evident").

ference Examiners).[9] *See also In re Magness*, 34 F.2d 1010, 1011 (CCPA 1929) ("[w]e do not agree with the Commissioner that this patent clearly discloses" facts that "anticipate[d] applicant's claims").

In a few isolated cases, the CCPA strayed from this practice of applying the clear or manifest error formulations for testing the Patent Office's fact-finding by imposing an even more demanding *de novo* test because the PTO tribunals—the examiners and the Board—had not concurred. *Townsend v. Smith*, 36 F.2d 292, 294 (CCPA 1929) (applying *de novo* review standard where three tribunals of the Patent Office differed "in their views as to what this evidence shows"); *Reusch v. Fischer*, 49 F.2d 818, 819 (CCPA 1931) (same); *Kreidel v. Parker*, 97 F.2d 171, 179 (CCPA 1938) (exercising "independent judgment as to the weight of the evidence" where Patent Office tribunals did not concur). And, for a time the CCPA also occasionally applied a "rule of doubt" in favor of the applicant, *In re Herchenrider*, 117 F.2d 261, 264 (CCPA 1941) ("well-established rule that doubt on the question of patentability of claims should be resolved in favor of the applicant"), but that rule was subsequently rejected in favor of the clearly erroneous standard. *General Motors Corp. v. Coe*, 120 F.2d 736, 737 (D.C. Cir. 1941) (rejecting "older decisions" and applying "the settled law of this court that we must sustain the findings of the Patent Office and the District Court unless we think them clearly wrong"); *see also In re Andersen*, 743 F.2d 1578, 1580 (Fed. Cir. 1984) ("Contrary to appellant's view, the premise that doubts as to patentability should be resolved in favor of a patent applicant is now defunct."), *cert. denied*, 471 U.S. 1015 (1985).[10]

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[9] Even as traditionally applied, the weight of the evidence test is less deferential than the substantial evidence standard. *See Consolo v. FMC*, 383 U.S. 607, 620 (1966) (defining substantial evidence test as "something less than the weight of the evidence").

[10] There also are occasional cases seemingly not fitting within any of these categories. *See In re Christmann*, 107 F.2d 607, 609 (CCPA 1939) (rejecting PTO characterization of what the prior art taught "where it seemed proper"). They, however, appear not to have developed a following.

Thus, despite slight variations in terminology describing the test applied by the CCPA prior to the enactment of the APA, the CCPA adhered to a single standard of review.[11] Under it, the CCPA held that the PTO Board's findings should be overturned and its denial of a patent reversed whenever the Board's fact-finding clearly reached the wrong result. Even if the CCPA decisions are viewed as applying a series of closely related standards of review, petitioner does not dispute the finding of the court below that all of these variations were more searching than those required by the APA. Pet. Br. 21. *Compare United States v. U.S. Gypsum Co.*, 333 U.S. 364, 395 (1948) (defining "clearly erroneous") with *NLRB v. Columbian Enameling & Stamping Co.*, 306 U.S. 292, 300 (1939) (substantial evidence " 'means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.' " quoting *Consolidated Edison v. NLRB*, 305 U.S. 197, 229 (1938)); *see also* Robert L. Stern, *Review of Findings of Administrators, Judges and Juries: A Comparative Analysis*, 58 Harv. L. Rev. 70, 88-89 (1944) (" 'clearly erroneous' rule gives reviewing court broader powers than the 'substantial evidence' formula").

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[11] Although the court below identified verbal distinctions among pre-1947 cases, at times referring to them as "various" or "several standards," Pet. App. 11a, 15a, 26a, it also summarized them as "the clear error [test] and its close cousins," *id.* at 22a-23a, expressly noted that "each . . . requires more rigorous review than is required by the APA," *id.* at 15a, and concluded that it had "applied the clear error standard—and only this standard—consistently since the court's genesis in 1982." *Id.* at 26a. Thus, except for a few outliers invoking even more intensive review, see p. 12 *supra*, the scrutiny applied by the CCPA and Federal Circuit to PTO fact-finding has never varied significantly from the "clear error" test, has been functionally identical to it, and has always been "more searching" than the tests set forth in the APA. *Id.* at 23a. By common law standards, this is a remarkably consistent and continuous application of a test for the review of PTO Board fact-finding. *See generally* Karl N. Llewellyn, *The Common Law Tradition—Deciding Appeals* (1960).

B. The CCPA and Federal Circuit Continued to Apply the "Clearly Erroneous" Test After the APA was Enacted

Congress' enactment of the APA did not result in any modification of the standard of review applied to PTO fact-finding either by the CCPA from 1947-82 or the Federal Circuit since 1982. In general, the "clearly erroneous" or its related "manifest error" standard was applied interchangeably by both. For examples of CCPA decisions, *see, e.g.,* Pet. App. 18a (collecting cases); *In re Stoll,* 161 F.2d 241, 243 (CCPA 1947) (concurring tribunals of Patent Office were not "manifestly wrong"); *Israel v. Cresswell,* 166 F.2d 153, 156 (CCPA 1948) ("clearly against the weight of the evidence"); *Ranney v. Bridges,* 188 F.2d 588, 596 (CCPA 1951) ("manifestly wrong because against the weight of the evidence"); *Daley v. Wiltshire,* 293 F.2d 677, 681 (CCPA 1961) ("manifestly wrong"); *Application of Kunzmann,* 326 F.2d 424, 426 (CCPA 1964) (appellant failed to demonstrate Patent Office finding was "clearly erroneous"); *Joseph & Feiss Co. v. Joseph Kanner Hat Co.,* 337 F.2d 1014, 1015 (CCPA 1964) (trademark case applying "manifest error" standard citing *Ranney v. Bridges, supra,* for proposition that "[f]actual findings of a lower tribunal are normally accepted unless clearly erroneous"). For examples of Federal Circuit decisions, *see* Pet. App. 22a (collecting cases); *see also* Donald R. Dunner, et al., *Court of Appeals for the Federal Circuit: Practice & Procedure* 6-52 n.26 (1998) (Federal Circuit "has expressly held that factual determinations of the PTO boards are subject to the 'clearly erroneous' standard" citing 15 cases of patent appeals).

C. The Review of PTO Fact-Finding under the Clearly Erroneous Standard Constitutes "Other Recognized Law"

As this summary of scores of CCPA and Federal Circuit ("CAFC") cases demonstrates, judicial scrutiny of PTO fact-finding since 1929 has always been at the level of clear error review and never at the more deferential

substantial evidence standard being sought by the petitioner here. Pet. App. 15a. The CCPA and CAFC applied the clearly erroneous tests as binding precedent which could be changed only by the *en banc* court.[12] Of course, like most issues of settled law, the application of the clear error standard of review to PTO fact-finding was not argued or explicated in every case. The CCPA and CAFC did not expressly state the very same standard or recite identical scope of review language in every case. Appellate courts often rely on different phraseology. See note 11 *supra.* But nominal deviations from the clear error norm do not undercut the finding of a common standard. Thus, it seems clear that the clearly erroneous standard was the general standard applied by the CCPA to review PTO Board fact-findings in 1947 and that this standard continues to be applied by the CAFC today.

This judicially crafted decisional law satisfies the condition in the saving clause in Section 12 that additional requirements imposed by statute or "otherwise recognized by law" survive the APA. Decisional rules developed by cases are law and have the effect of law. Thus, in connection with interpreting the judicial review provisions of the APA, the *Attorney General's Manual* specifically noted that they "must be carefully coordinated with existing statutory provisions and *case law.*" U.S. Dep't of Justice, *Attorney General's Manual on the Administrative Procedure Act* 93 (1947) (citing *Consolidated Edison Co. v. NLRB, supra*) (emphasis added); *see also id.* at 109 (referring to APA scope of review as a "general codification" of standards developed "either by statute or *judicial* rule") (emphasis added).

This coordination between the APA and existing case law is illustrated directly by the interplay between Section 12's proviso in its first sentence regarding additional requirements recognized in "other law" and the APA's judi-

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[12] The CCPA did not require a separate process for determining binding law because it heard all cases *en banc. See In re Gosteli,* 872 F.2d 1008, 1011 (Fed. Cir. 1989).

cial review provisions of Section 706(2). Thus, existing case law that recognizes the clear error standard is coordinated with the APA review standards in 706(2) by Section 12's provision that the more searching standards pre-dating the APA constitute additional requirements not limited or repealed by the APA. Contrary to petitioner's contention that Section 12 is only "a minor and general provision" of the APA warranting minimal application, Pet. Br. 25, the saving clause of the first sentence assures that standards of review developed by courts before the APA's adoption were not eliminated or weakened by its enactment.

The petitioner, on the other hand, would give the "otherwise recognized by law" language of Section 12 minimal scope, limiting it to requirements "so well established that it could fairly be compared with a requirement 'imposed by statute' before the enactment of the APA, or [with] one 'expressly' modifying or superseding it thereafter." *Id.* at 24-25.[13] But petitioner makes no attempt to define what constitutes "well established" precedent or explain why the scores of cases spanning 70 years applying the clearly erroneous standard do not meet its test.[14]

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[13] *But see* Panel Discussion, *Present At The Creation: Regulatory Reform Before 1946*, 38 Admin. L. Rev. 511, 529 (1986) where Professor Kenneth Culp Davis discusses the first sentence of Section 12 as follows:

> Note that in that one sentence Congress recognized three kinds of law—constitutional law, statutory law, and common law. Nothing in the APA cuts back protections by any one of the three. . . . Section [12] means that the APA may not be interpreted to add to or to subtract from common law rights. That is what the words clearly say.

[14] Recognized law is established in many ways including by constitution, statute and judicial common law. Judicial common law can be established by a single opinion or it may evolve over several years. Numerous factors, such as the reason for the rule, the thoroughness of its consideration and the period of its consideration and application, help determine whether a judicial rule constitutes recognized law. Applied here, all of these factors support the conclusion that the clearly erroneous standard was "otherwise recognized by law" and thus continued after 1946.

Nor is there any basis for petitioner's contention that the provision for "express[]" modification of the APA after 1946 in the penultimate sentence in Section 12 (identified herein as sentence #3, see p. 18 *infra*) somehow implies a qualification in the "recognized by law" clause in the first. The sentences serve different purposes and should be interpreted with these purposes and objectives in mind. *See Dole v. United Steelworkers of America*, 494 U.S. 26, 35 (1990). Under sentence #3, the APA can be modified after its adoption only by statutes expressly modifying the APA, not by judicial action. *See also Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978). On the other hand, Congress also can choose, as it did in the first sentence of Section 12 of the APA, to limit the impact of a new law such as the APA and to continue the effectiveness of pre-existing law. And when it has done so, its command must be observed.

II. THE CCPA'S "CLEARLY ERRONEOUS" STANDARD OF JUDICIAL REVIEW IS AN "ADDITIONAL REQUIREMENT"

The operative effect of the first sentence of Section 12 of the APA—to preserve all "additional requirements" in place at the time the APA was adopted—is not disputed by the petitioner. Pet. Br. 24. We differ on whether the terms of the first sentence of the saving clause of Section 12—that "Nothing in this Act shall . . . limit or repeal additional requirements imposed by statute or otherwise recognized by law"—apply to the "clearly erroneous" scope of review standard applied today by the Federal Circuit to fact-finding by the PTO Board and applied previously by its predecessor, the CCPA.

Contrary to petitioner's contention that Section 12 is a minor and technical provision and that its first sentence does not encompass the judicial review provisions of the APA, the "additional requirements" terms of Section 12 are facially applicable to all provisions of the APA.

Neither these terms nor any other provision in Section 12 exempts the APA's judicial review provisions from an overlay of more searching requirements imposed by judicial common law prior to the Act's enactment in 1946.

A. The "Clearly Erroneous" Standard Constitutes an "Additional Requirement" within the *Plain Meaning* of Section 12 of the APA

Section 12 of the APA, Pub. Law 404, 79th Cong., 60 Stat. 237, 244 (1946) provides:

> Sec. 12. **[1]** *Nothing in this Act shall be held* to diminish the constitutional rights of any person or *to limit or repeal additional requirements imposed by statute or otherwise recognized by law.* **[2]** Except as otherwise required by law, all requirements or privileges relating to evidence or procedure shall apply equally to agencies and persons. . . . **[3]** No subsequent legislation shall be held to supersede or modify the provisions of this Act except to the extent that such legislation shall do so expressly. . . . [emphasis added and sentence numbers in bold face inserted for reference; unrelated provisions relating to severance, effective dates and compliance authority deleted]

Although the petitioner maintains that the CCPA and Federal Circuit applied no single standard of review, he does not dispute that the standard being applied to review PTO Board fact-finding was, in every instance, more searching than the APA's scope of review requirements in Section 706(2). Pet. Br. 20-22. Likewise the petitioner does not deny that the terms of the introductory clause to Section 12 ("[n]othing in this Act") are all-encompassing and apply to the entire APA without exception. *Id.* at 22.[15]

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[15] Petitioner argues that the continued application of the clearly erroneous test is contrary to the APA because it would "authorize [an] important *exception*[]" to the Act. Pet. Br. 22 (emphasis in original). But if, as the court below held, § 12 authorizes this more searching standard, then it is not an exception to the APA and labeling it as such adds nothing to the analysis.

Thus, the central issue between the parties is the meaning of the "additional requirements" terms in the context of the introductory clause of Section 12. Contrary to petitioner's construction, respondents read the word "requirements" as encompassing all statutory or common law obligations, duties, tests or standards in existence in 1946 and the word "additional" as covering all requirements that are more searching, demanding, burdensome, onerous, rigorous, stringent or strict than those set forth in the Act. The first sentence of Section 12 was added to the APA to ensure that the Act's revision of administrative processes and codification of judicial review did not result in weaker controls o agency actions as compared with those in effect when the APA was enacted. See pp. 38-39 *infra*. Petitioner's reading, that the terms "additional requirements" apply only to other matters not encompassed within the APA or, alternatively, only to the informational and procedural provisions of the APA, is not supported by the plain language of Section 12. There is nothing in the terms of Section 12 which direct that additional requirements must somehow be "consistent" with the provisions they supplement.

In the context of Section 12 of the APA, the "additional requirements" terms are not difficult to understand: no requirements in place when the Act was enacted in 1946 would be negated or lessened by the enactment of the APA. It follows that Section 12 was a significant part in the APA because it ensured that controls on the government and the protection of individual interests were not weakened by the enactment of the Act. Section 12 makes no exception for standards of judicial review and similarly worded saving clauses generally are interpreted liberally. See pp. 25-31 *infra*. This common sense reading of Section 12 is further supported by a parsing of the "additional requirements" terms.

The first word, "additional," refers to something more (not less) than, or added to, a base line standard. *The*

New Century Dictionary 15 (1946) (defining the word "additional" as meaning something "added" or "supplementary"); *see Black's Law Dictionary* 38 (6th ed. 1990) (defining the word "addition" as an "extension," "increase," or "augmentation" and defining "additional" as also "embrac[ing] the idea of joining or uniting one thing to another, so as thereby to form one aggregate"). The second word, "requirements," refers to something that cannot be avoided, i.e., something that is "demanded or obligatory." *The New Century Dictionary, supra* at 1531; *see Black's Law Dictionary, supra* at 1304 (defining "require" as meaning "to direct, order, demand, instruct, command, claim, compel, request, need, exact").[16]

Read together, as in Section 12, these words identify obligations or burdens previously recognized by law which supplement those set forth in the APA. The first sentence of Section 12, therefore, preserves the more demanding pre-existing tests that otherwise would have been displaced by the APA. Nowhere are the APA's judicial review provisions, 5 U.S.C. §§ 701-06, exempted from the reach of Section 12. This is further demonstrated by the third sentence of Section 12 which specifically permits lesser requirements (such as less intenive judicial review) to apply. But such lesser specifications modify the APA only if expressly stated as such in a post-APA statute.[17]

Petitioner seeks to avoid the meaning of the plain terms of Section 12 by arguing that "one would not ordinarily

[16] At one point, petitioner seeks to read the "additional requirements" terms as covering "'added' obligations" so long as they were not "more rigorous," Pet. Br. 23, but later he concedes that the terms also cover requirements "greater" than those specified in the APA. *Id.* at 26.

[17] Sentence #1 of § 12 uses the terms "additional requirements" to identify eligible pre-APA commands that were to be continued, whereas sentence #3 upholds post-APA legislative provisions that "expressly" "supersede or modify the provisions" of the APA without regard to whether they constitute "additional requirements."

think of a standard of judicial review as a 'requirement[]' within the meaning of Section [12]." Pet. Br. 22. In fact, the opposite is true. A saving clause in the last section of a statute which provides that "[n]othing in this Act" limits or repeals pre-existing requirements clearly reads as if it is to be applied to *all* sections of the Act whether the provision at issue is viewed as imposing a requirement on agencies or on courts. It is, in other words, a natural way of expressing the intent of Congress that more demanding legal rules that would otherwise have been limited or repealed by the APA would continue in force. A normal reading of Section 12 would apply its saving clause to the requirements set forth in all eleven previous sections of the APA without exception.

Petitioner next seeks to buttress his unfounded conclusion by arguing that the more searching "clearly erroneous" standard cannot be a requirement because the judicial review provisions in Section 706(2) are not "core" provisions relating to "*administrative* procedure." *Id.* 22-23 (emphasis in original).[18] But this argument, based on the title of the Act and several (but not all) of the operative provisions of the APA, cannot succeed because the Act is not limited simply to agency procedures for rulemaking and adjudication. The APA also established new standards for information disclosure (§ 2, now 5 U.S.C. § 552), codified both the right to and standards for judicial review

[18] Once again petitioner wants to have it both ways, this time arguing that the judicial review provisions are not part of the "core" of the APA, Pet. Br. 25-26, and thus not covered by § 12, whereas at other times he argues that judicial review is too "central" to be contradicted by the "hortatory" and "minor" provisions of § 12. Pet. Br. 24 & 25. But the APA establishes no such hierarchy and it does not recognize which provisions are more or less significant. A more principled construction treats the judicial review provisions of § 706(2) and the saving clause of § 12 as having equal significance, as the Federal Circuit did, and therefore recognizes that the latter applies identically to all other sections of the APA without favor to one over another.

(§ 10, now §§ 701-06), and specified the terms for appointment, compensation and tenure of hearing examiners (§ 11, now in scattered sections of 5 U.S.C.). The first sentence of Section 12 does not say: "nothing in this Act except Sections 2, 10 and 11." Failure to comply with the requirements of any of these sections warrants reversal as a violation of the APA. *See, e.g., Universal Camera Corp. v. NLRB*, 340 U.S. 474 (1951) (reversing court of appeals for failure to consider the "whole record" requirement of § 706(2)(E)). The judicial review provisions of the APA are as much a part of the Act as its specification of adjudicative procedures for hearings required by statute to be on a record. To be sure, the judicial review provisions can be differentiated from agency procedural specifications insofar as they impose requirements that courts must follow, but Section 12's sentence #1 does not say that it applies only to agencies—and scope of review standards enforced on judicial review also have the effect of imposing requirements on the agencies. *See, e.g., Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Insur. Co.*, 463 U.S. 29, 48 & 57 (1983) (approving "hard look" review of agency reasoning).

Finally, petitioner's argument—that "[t]he 'additional requirements' language of Section [12] would be more naturally read to preserve preexisting legal 'requirements' with respect to matters not addressed by the APA," Pet. Br. 25—is both under- and over-inclusive. It covers too little because Section 12 was designed to preserve all APA-related requirements that were "additional." It covers too much because non-APA matters generally are not affected by the Act and thus are not within the reach of Section 12. *See, e.g., Morton v. Mancari*, 417 U.S. 535, 550-51 (1974) ("Where there is no clear intention otherwise, a specific statute will not be controlled or nullified by a general one, regardless of the priority of enactment.") Nor is there any support in the terms of Section 12 or elsewhere in the APA for petitioner's argument that the

"additional requirements" continued under it must not be "inconsistent" with or "different" from the APA. *Id.* at 23 & 26 & n.9.[19] Again, Section 12's saving clause contains no such limitation and consistency with the APA is not stated to be a factor in applying Section 12. Indeed, almost any pre-existing law meeting the "additional requirements" standard of sentence #1 is, in some sense, not consistent with the APA because the APA either will not have addressed the matter directly or will have addressed it in a different way. On the other hand, if the requirement does not relate to a subject covered by the APA, then the APA is not displaced by it. And, in that event, the only issue will be whether the two can be reconciled to reflect the intent of Congress. *See Radzanower v. Touche Ross & Co.*, 426 U.S. 148, 155 (1976) (implied repeal only where there is an irreconcilable conflict" between the two statutes "in the sense that there is a positive repugnancy between them or they cannot mutually coexist"); *see also Rodgers v. United States*, 185 U.S. 83, 88 (1902).

The "clearly erroneous" standard of review applied by the CCPA in 1946 therefore constitutes an "additional requirement" within the meaning of Section 12 because it: (a) was recognized when the APA was adopted; (b) applies a more searching test than the APA standards; and (c) adds to rather than subtracts from the requirements of the APA.

The petitioner seeks to avoid this conclusion by arguing that "[t]he substitution of one standard of review for the other does not come within the terms of Section [12]." Pet. Br. 23. He contends that the "clearly erroneous review standard for PTO Board fact-finding cannot be "simply append[ed]" to the alternative standards for judicial

[19] However, even petitioner concedes that the "additional requirements" preserved by sentence #1 apply to "requirements greater than" those specified in the APA. See note 16 *supra*.

review listed in Section 706(2). *Id.* This argument misconprehends the interplay between the "clearly erroneous" test continued under Section 12 of the APA and the APA standards of review recognized in Section 706(2). The continued application of the "clearly erroneous" standard to review of PTO Board fact-finding by the Federal Circuit does not have the effect of eliminating any APA standard as petitioner contends. Because it is more demanding, it adds to and supplements the various tests set forth for review of agency fact-finding in the APA. *See Ass'n of Data Processing, Inc. v. Board of Governors of Federal Reserve Sys.*, 745 F.2d 677, 683 (D.C. Cir. 1984) (Scalia, J.) ("*Ass'n of Data Processing*") (" 'scope of review' provisions of the APA, 5 U.S.C. § 706(2), are cumulative").

On the other hand, had the CCPA applied a mere "scintilla" evidentiary standard of review (which would require a court to uphold agency findings supported by any evidence, *see NLRB* v *Columbian Enameling & Stamping Co., supra* at 300) at the time the APA was enacted, that lesser fact-finding standard would not have been preserved. As a "less searching" pre-APA requirement, it would not have satisfied the terms of sentence #1 of Section 12. That is, the first sentence of Section 12 is asymmetrical and applies only to a pre-existing standard or procedure specifying "additional requirements" by statute or judicial common law.[20]

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[20] Petitioner's argument that a "non-APA standard of review specified by a particular statute would presumably govern in proceedings under that statute, whether it was more stringent or more lax than those set out in 5 U.S.C. 706," Pet. Br. 26 n.9, is incorrect insofar as it would permit a *pre-existing* less stringent standard to continue after 1946. Just as sentence #3 requires that post-APA statutes must "expressly" modify the APA standards, a pre-APA statutory standard must satisfy the "additional requirements" test of sentence #1. Petitioner's citation of *American Paper Inst. v. American Elec. Power Serv. Corp.*, 461 U.S. 402, 412 n.7 (1983) to support its argument is similarly inapposite because that case did not involve a pre-APA statute or make any reference to or otherwise involve an interpretation of § 12's sentence #1. That footnote stands for the unexceptional point that the "arbitrary and capricious" standard of § 706(2)(A) is the usual default rule when no other standard applies. *See also Ass'n of Data Processing.*

B. This Court's Decision in *Florida East Coast Ry.* Supports the Decision Below

The petitioner's argument that Section 12 of the APA should be read narrowly also is contrary to this Court's opinion in *United States v. Florida East Coast Ry.*, 410 U.S. 224 (1973) ("*Florida East Coast*"). There the central question was whether Section 1(14)(a) of the Interstate Commerce Act, which was adopted before the APA was enacted,[21] and which authorized rulemaking "after hearing," mandated "a trial-type hearing or [could be satisfied by] the presentation of oral argument by the affected parties." *Id.* at 36. Because Section 12 of the APA provided that "additional requirements" survived the APA, the Court was compelled to determine whether Congress had imposed a more demanding hearing process when it amended the Interstate Commerce Act in 1917. The analytical structure adopted there is controlling here:

> Inextricably intertwined with the hearing requirement of the Administrative Procedure Act in this case is the meaning to be given to the language "after hearing" in § 1(14)(a) of the Interstate Commerce Act. Appellees, both here and in the court below, contend that the Commission procedure here fell short of that mandated by the "hearing" requirement of § (14)(a), even though it may have satisfied § 553 of the Administrative Procedure Act. The Administrative Procedure Act states that none of its provisions "limit or repeal additional requirements imposed by statute or otherwise recognized by law." 5 U.S.C. § 559. Thus, even though the Commission was not required to comply with §§ 556 and 557 of that Act, *it was re-*

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[21] The "after hearing" provision originated in the Esch Car Service Act of 1917, 40 Stat. 101, as an amendment to the Interstate Commerce Act.

quired to accord the "hearing" specified in § 1(14)(a) of the Interstate Commerce Act.

Id. at 238 (emphasis added). After reviewing the amended Interstate Commerce Act, the Court concluded that Congress in fact had not identified what type of hearing was required in 1917. *Id.* at 239 ("It is by no means apparent what the drafters of the Esch Car Service Act of 1917 . . . meant by the ['after hearing'] term."). As a result, the Court applied the APA meaning of a "hearing" in informal rulemaking because that was the default rule in the absence of a specific statute or other recognized law. And applying the APA, the Court found that its less demanding hearing provisions for informal rulemaking under Section 553 governed rather than the stricter adjudicative hearing requirements under Section 554. However, it also was clear that if Section 1(14)(a) had required a more demanding process, that section in the Interstate Commerce Act would have trumped the APA's lesser standard because of the first sentence of Section 12.

There are, of course, differences between application of the saving clause in *Florida East Coast* and in the case at bar: Section 1(14)(a) of the Interstate Commerce Act did not specify a different hearing requirement and it did not involve a standard of judicial review of agency fact-finding. Petitioner seeks to argue from these differences that *Florida East Coast* supports its alternative argument that the first sentence of Section 12 is limited to informational, rulemaking or hearing requirements. Pet. Br. 25-26.[22] But there is not a word in the opinion that supports such a reading. That the issue in *Florida East Coast* derives from the meaning of the "after hearing" terms in the Interstate Commerce Act does not contradict Section

[22] Petitioner fails to note, however, that *Florida East Coast* implicitly rejects petitioner's preferred construction that § 12 is "more naturally read" as applying only "to matters not addressed by the APA." Pet. Br. 25.

12's application to more searching standards of judicial review. The significance of *Florida East Coast* is that the Court's approach and analysis is the same as respondents urge in the case at bar, namely, that the first step in applying the saving clause in sentence #1 is to determine whether more demanding or searching requirements were recognized by law before 1946. Where such a requirement existed, as the lower court found here, it continued under the APA (per § 12).

The Third Circuit followed the same approach when faced with a similar argument in *SEC v. Morgan, Lewis & Bockius*, 209 F.2d 44 (3d Cir. 1953). There the prior law required that those appearing before the SEC were to file informational statements with the Commission, Public Utility Holding Company Act of 1935, § 12(i), 15 U.S.C. § 791(i), and the SEC had sought to apply the requirement to lawyers as well as lobbyists. However, the defendant law firm had argued, *inter alia*, that the right to counsel provisions in the APA, 5 U.S.C. 555(b), repealed the PUHC Act insofar as it required any filing of informational statements by lawyers appearing before the Securities and Exchange Commission. The court rejected that contention of a "repugnancy" between the two acts because Section 555(b) of the APA did not "relieve[] counsel of any duties he may have under [other] law." *Id.* at 48-49. It justified this holding by reference to the saving clause of sentence #1 of Section 12 of the APA that pre-existing law imposing additional requirements was not overridden by the APA.

That sentence #1 of Section 12 has drawn little attention and few references is not surprising because the APA's informational, procedural and hearing provisions were designed to raise standards while the judicial review provisions were drafted more narrowly to restate the law. See discussion pp. 34-35 *infra*.[23] But this is no reason to accept

[23] Two recent court of appeals decisions also have read sentence #1 of Section 12 as continuing a specific statutory review require-

the petitioner's reading of Section 12 that would deny this saving clause any force. The petitioner's argument identifies no situation, real or hypothetical, where Section 12 would apply to pre-existing informational, procedural and hearing requirements but not to pre-existing standards of judicial review. Respondents' reading, on the other hand, would apply Section 12 to any specific provision in an agency's enabling act or other recognized law that is more searching than those set forth in the APA.[24]

C. Broadly Worded Saving Clauses, Such as Section 12, Are Not Read Narrowly

Petitioner's narrow reading of Section 12 also departs from the traditional rule that saving clauses are not to be read grudgingly. *See, e.g., Atherton v. FDIC*, 519 U.S.

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ment or a long-standing agency practice. *See United States v. Menendez*, 48 F.3d 1401, 1409 (5th Cir. 1995) (applying a more restrictive agency-specific statutory record requirement on judicial review); *United Transp. Union-Ill. Legislative Bd. v. Interstate Commerce Comm'n*, 52 F.3d 1074, 1079 n.10 (D.C. Cir. 1995) (upholding a long-standing ICC declaratory order process outside of the formal adjudicatory structure authorized by the APA because, *inter alia*, sentence #1 of § 12 continued the ICC's pre-existing declaratory order process and "[t]he Supreme Court has assumed the practice to be proper"). In both cases it does not appear that the additional requirements pre-dated the APA. Nonetheless, the courts operated on the understanding that they did, and in that setting applied § 12 to preserve a more restrictive measure of judicial review (*Menendez*) and an agency-developed common law standard (*United Transp.*).

24 Nor is *Steadman v. SEC*, 450 U.S. 91 (1981) to the contrary. There the Court simply held that the burden of persuasion applicable to APA adjudications is met by a "preponderance of the evidence" test because that is the meaning intended by Congress when it enacted the APA. *Id.* at 100-02. There was no basis for considering any claim under § 12 of the APA because the APA continued the "traditional standard of proof in civil or administrative proceeding[s]," *id.* at 101 n.21 (quoting James Wigmore, *Evidence* § 2498 (3d ed. 1940)), and the APA was in accord with "the Commission's longstanding practice." *Steadman, supra*, at 103.

213, 228 (1997); *Nader v. Allegheny Airlines, Inc.*, 426 U.S. 290, 298-300 (1976); *see also* 2A *Sutherland on Statutory Construction* § 47.12 (Norman J. Singer ed., 5th ed. 1992).[25] One particularly relevant example is this Court's rejection of a similar government argument in *Abbott Laboratories v. Gardner*, 387 U.S. 136 (1967), that a saving clause should be read narrowly. In that case the government argued that an agency-specific special review mechanism overruled the APA's more generous provisions for judicial review of agency regulations despite a saving clause that seemingly preserved the applicability of the APA's provisions. The Court, however, rejected the government's argument, reading the saving clause at its face value.

The issue in *Abbott Laboratories* arose in the now familiar setting of an industry's pre-enforcement challenge to the FDA's authority to issue the challenged regulations as well as to their validity under the APA. The government asserted that the district court lacked jurisdiction because the APA's provisions for nonstatutory review were overridden by the special review process set forth in Section 701(f) of the Food, Drug and Cosmetic Act, 21 U.S.C. § 371(f), which provided that certain types of FDA rules "embodying technical factual determinations," id. at 144, were appealable only to the courts of appeals. The Court, however, rejected the government's argument that the FDA's special review mechanism for a limited group of regulations preempted the APA's more open-

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25 The exception to this rule, that a saving clause will be read narrowly where a literal construction is "absolutely inconsistent with the provisions of the [primary] act," *Nader v. Allegheny Airlines, Inc., supra* at 299, is applied only in extreme situations and not where, as here, the law being "saved" can be reconciled with primary law. *See Texas & Pacif. R.R. v. Abilene Cotton Oil Co.*, 204 U.S. 426, 446 (1907) ("the act cannot be held to destroy itself").

ended process generally applicable to regulations because the former was "simply intended to assure adequate judicial review" and its "enactment does not manifest a congressional purpose to eliminate judicial review of other kinds of agency action." *Ibid.* "This conclusion," the Court went on, was "strongly buttressed by the fact that the [FDCA]" included a saving clause in § 701(f)(6) which provided that the remedies specified in § 701(f) "'shall be in addition to and not in substitution for any other remedies provided by law.'" *Ibid.* The government's attempt to limit the saving clause "as applying only to review of regulations under the sections specifically enumerated in § 701(e)," *id.* at 144-45, was rejected:

> This is a conceivable reading [of the saving clause], but it requires a considerable straining both of language and of common understanding. The saving clause itself contains no limitations, and it requires an artificial statutory construction to read a general grant of a right to judicial review begrudgingly. so as to cut out agency actions that a literal reading would cover.

Id. at 145. The Court also found no support in the legislative history for such a narrow reading of the saving clause. Undaunted, the government had further argued that because the saving clause was located in § 701(f), and not separately, it "should be read to apply only to those sections to which the § 701(f) special-review procedure applies." *Ibid.* Again, the Court rejected the argument:

> But it is difficult to think of a more appropriate place to put a general saving clause than where Congress placed it—at the conclusion of the section setting out a special procedure for use in certain specified instances.

Ibid. As a consequence, the Court read "the saving clause at its face value" and held that the FDCA did not restrict other avenues of review. *Id.* at 146.

Distinctions, of course, can be drawn between the case at bar and *Abbott Laboratories.* In *Abbott* the saving clause was in the organic law, not the APA, and the government sought to limit its importance so as to narrow the availability of judicial review. Here, by contrast, the petitioner seeks to limit the importance of the saving clause in the APA in order to limit the scope of judicial review authorized by prior law. But this distinction should not make any difference. When the saving clause is written without qualification, there is, *Abbott* holds, no basis for importing a restriction into it that would deny effect to other law that Congress said was to survive. In addition, the clearly erroneous test cannot be said to "destroy" the purpose of the APA provisions on review which themselves recognize the applicability of differing intensity of review depending on several factors including the agency process involved.

D. The Structure, Purpose and History of the APA Confirm That Section 12 of the APA Applies to Pre-Existing Standards for Judicial Review

This reading of the plain language of section 12, that a more searching standard of review was to continue after the APA was adopted, is confirmed by the APA's structure, purpose and history. *See Kokoszka v. Belford,* 417 U.S. 642, 650 (1974) ("'the court will not look merely to a particular clause in which general words may be used, but will take in connection with it the whole statute (or statutes on the same subject) and the objects and policy of the law, as indicated by its various provisions,'" quoting *Brown v. Duchesne,* 19 How. 183, 194 (1857)), *rehr'g denied,* 419 U.S. 886; *see also Dole v. United Steelworkers of America, supra* at 35.

1. *The Structure of the APA Makes Clear That Section 12 Applies to All Provisions of the APA*

The structure and design of the APA are hospitable to other statutes and they frequently are integrated into it.

For example, a distinctive feature of the APA is that it sets the default rule for information, rulemaking, adjudicative *and* judicial review requirements and, consequently, the Act often applies only when triggered by other statutes or when not foreclosed by other statutory requirements. Agencies can and have adopted more specific information and process requirements. *See, e.g.*, ACUS Recommendation 76-3, *Procedures in Addition to Notice and an Opportunity for Comment in Informal Rulemaking*, 41 Fed. Reg. 29,654 (July 19, 1976). The trial-type hearing requirements of 5 U.S.C. §§ 556 and 557 apply only to matters required by another (non-APA) statute to be determined on a closed record. *Id.* at §§ 553(c), 554(a). Similarly, the availability and scope of judicial review of agency action are determined pursuant to any agency-specific statute ("statutory review"); the APA standards for judicial review apply only if "no other adequate remedy" is otherwise available ("nonstatutory review"). 5 U.S.C. § 704; *see* Jeffrey S. Lubbers, *A Guide to Federal Agency Rulemaking* 295-99 (3d ed. 1998). Section 12, therefore, is more than a mere "technical provision" as petitioner labels it, Pet. Br. 28, and should be construed with an understanding that it serves an important function in the integration of statutes and case law within the APA. It deserves a straight-forward reading in accordance with Congress' obvious intent. *See Atherton v. FDIC, supra* at 227-28 (language of saving clause—"[n]othing in this paragraph"—read naturally to support an "interpretation broad enough to save rights provided by other state, or federal, law").

Similarly, the location of the saving clause in Section 12, as the final section of the APA as originally enacted, adds force to the introductory words of sentence #1 that its provisions apply to all sections of the Act. That the codifiers of the APA moved the judicial review provisions to a subsequent chapter does not diminish the significance

of that original location,[26] a point highlighted in the statutory rewrite which specifically acknowledges that the first sentence of Section 12 incorporates "chapter 7" on judicial review. 5 U.S.C. § 559 ("This subchapter, chapter 7 [on judicial review], and sections 1305 [on administrative law judges] . . . do not limit or repeal additional requirements," etc.). Under petitioner's interpretation of Section 12, that location is ignored and the first sentence of the original and codified versions loses its meaning.

Petitioner's argument that Section 12 is "a minor and general provision" of the APA, Pet. Br. 25, whose "context . . . counsels against the court of appeals' expansive construction," *ibid.*, is no more persuasive. First, its contention that sentence #1 is nothing more than a "horatory reassurance," Pet. Br. 24, trivializes Congress' actions and renders the sentence superfluous. Statutes, of course, are to be construed in a way that "give[s] effect, if possible, to every clause." *Heckler v. Chaney*, 470 U.S. 821, 829 (1985) (quoting *United States v. Menasche*, 348 U.S. 528, 538-39 (1955)). Second, the reference in sentence #2 specifically recognizing that evidentiary and procedural "requirements or privileges" apply "equally to agencies and persons" demonstrates not that sentence #1 "refer[s] to requirements made applicable to the administrative process . . . [and] not to requirements imposed on reviewing courts," Pet. Br. 24, as petitioner implies, but rather that specific limitations on the reach of independent provisions in Section 12 were added as Congress deemed such restrictions appropriate. Where no restriction is specified by Congress, as is the case of the substantive scope of sentence #1, none should be added by implication. Third, petitioner is correct that sentence #3 governing express modifications of the APA indicates a congressional intent that post-APA changes can be made only by statute and by express modification. But neither limitation

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[26] The codification of the APA was not to change its legal effect. See note 5 *supra*.

applies to sentence #1 and petitioner's argument fails to account for this difference between it (and sentence #3) and the subject-matter limitation in sentence #2. *See also Assn. of Data Processing, supra* (reading sentence #3 as applicable to statutory modification of substantial evidence review).

2. *The APA's Provisions on Standards of Review Restated the Law of Judicial Review*

In adopting the Administrative Procedure Act, Congress sought to achieve "four basic purposes":

> 1. To require agencies to keep the public currently informed of their organization, procedures and rules (sec. 3).
>
> 2. To provide for public participation in the rule making process (sec. 4).
>
> 3. To prescribe uniform standards for the conduct of formal rule making (sec. 4(b)) and adjudicatory proceedings (sec. 5), i.e., proceedings which are required by statute to be made on the record after opportunity for an agency hearing (secs. 7 and 8).
>
> *4. To restate the law of judicial review (sec. 10).*

Attorney General's Manual 9 (emphasis added);[27] *see also id.* at 108 (APA § 706(2) "restates the present law as to the scope of judicial review").[28] The judicial review

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[27] *See Steadman v. SEC, supra* at 103 n.22 (1981) (recognizing the *Manual* as the authoritative contemporaneous interpretation of the APA " 'because of the role played by the Department of Justice in drafting the [APA],' *Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, 435 U.S. at 546, and Justice Clark was Attorney General both when the APA was passed and when the Manual was published."); *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 218 (1988) (Scalia, J., concurring) (*Manual* is "the Government's own most authoritative interpretation of the APA . . . which we have repeatedly given great weight").

[28] This listing closely parallels Senator McCarran's explanation of the bill during its consideration by the Senate. *Administrative Procedure Act—Legislative History 1944-46*, S. Doc. No. 248, 79th Cong., 2d Sess. 304 (1946) ("substance of what the bill does may be summarized under four headings: . . . Fourth. It sets forth a simplified statement of judicial review designed for every legal wrong.").

standards in 5 U.S.C. § 706(2) "assume[d] that if the notice, hearings, and finding procedures are adopted as recommended[,] they will obviate the reasons for change in the area and scope of judicial review." 92 Cong. Rec. 2163 (1946), reprinted in *Administrative Procedure Act—Legislative History 1944-46*, S. Doc. No. 248, 79th Cong., 2d Sess. 351 (1946) ("*APA Legislative History*"), quoted in Pet. App. 6a. Because the scope of review provisions in the APA "constitute a general statement of the principles of judicial review embodied in many statutes and judicial decisions," they "must be carefully coordinated with existing statutory provisions and case law." *Attorney General's Manual* 93.

Consistent with these objectives, the saving clause in the first sentence of Section 12 preserved any deviations from the norm that constituted "additional requirements" which would be "limited or repealed" if the APA's judicial review provisions were applied without regard for such prior law. By recognizing the "clearly erroneous" standard that it had applied before the APA was adopted, the CCPA (and now the Federal Circuit) ensured that the standards applied to review of PTO Board fact-finding continued without change after the APA was enacted. This result is consistent with the congressional purpose that the APA was to improve the quality of agency processes and practices and to maintain effective judicial oversight of agency actions, but not to lower the standards of either.

3. *The APA's History Supports Continuing the "Clearly Erroneous" Standard of Review*

As noted, the Administrative Procedure Act codified existing standards of judicial review and generally did not

seek to change them. This outcome followed a ten year struggle to enact a code of administrative procedure, *Wong Yang Sung v. McGrath*, 339 U.S. 33, 40 (1950), where much of the debate initially had focused on the intensity of judicial review. The early reform proposals had emphasized " 'the lack of effective independent review or judicial control of administrative decisions.' " Kenneth C. Davis & Richard W. Pierce, Jr., *Administrative Law Treatise* § 1.4 at 11 (3d ed. 1994), quoting 61 A.B.A.R. 720 (1936).[29] However, after the passage of the very controversial Walter-Logan Act, its veto by the President in 1940, and publication of the highly influential *Final Report of the Attorney General's Committee on Administrative Procedure* (1941) recommending a code limited to administrative procedure, a compromise ultimately was reached on a modified Administrative Procedure Act.[30] It generally adopted the procedural recommendations of the Attorney General's Committee and added a highly diluted compromise version of the "dissenters' " proposal for judicial review. *See* George B. Shepherd, *Fierce Compromise: The Administrative Procedure Act Emerges from New Deal Politics*, 90 Nw. U. L. Rev. 1557, 1659-75 (1996) ("*Fierce Compromise*"); *id.* at 1659-60 (Carl McFarland,

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29 This was in distinct contrast to the Walter-Logan bill which "was both blatantly political (exempting 'favored' agencies) and quite restrictive (significantly enhancing the role of judicial and intra-agency review)." Robert L. Rabin, *Federal Regulation in Historical Perspective*, 38 Stan. L. Rev. 1189, 1264 (1986). Walter-Logan also had no saving clause. H.R. 6324, 76th Cong., 3d Sess. (1940). Its final section of "exceptions and reservations" was limited to preserving existing methods for obtaining judicial review (§ 7(a)), to exempting numerous agencies, departments and laws from its coverage (§ 7(b)), and to ensuring the admission of lawyers to practice before all agencies (§ 7(c)). *Ibid.*; *see* H.R. Report No. 1149, 76th Cong., 1st Sess. 7 (1939).

30 When asked to compare the final APA and the Walter-Logan bill, Senator McCarran, a cosponsor, said that was "impossible . . . for the mere reason that they are two entirely different bills." *APA Legislative History* 313.

chairman of the ABA's Special Committee on Administrative Law and signer of the separate statement in the report of the Attorney General's Committee on Administrative Procedure, acknowledging that the final compromise provisions on judicial review "merely confirmed existing case law," citing *Federal Admiinstrative Procedure: Hearings on H.R. 184, H.R. 339, H.R. 1117, H.R. 1203, H.R. 1206, and H.R. 2602 Before the House Comm. on the Judiciary*, 79th Cong., 1st Sess. 38-39 (1945)).

This understanding of the final compromise was captured in the Attorney General's answer to questions on the judicial review provisions of Senate Bill 7 (which became the APA) as quoted during consideration by the House after the Senate's unanimous adoption of the APA:

> Section 10 as to judicial review does not, in my view, make any real changes in existing law. This section in general declares the existing law concerning judicial review. It is an attempt to restate in exact statutory language the doctrine of judicial review as expounded in various statutes and as interpreted by the Supreme Court. I know that some agencies are quite concerned about the phraseology used in section 10 for fear that it will change the existing doctrine of judicial review which has been settled for the particular agency concerned. I feel sure that should this section be given the interpretation which is intended, namely, that it is merely a restatement of existing law, there should be no difficulty for any agency. We may in a sense look at section 10 as an attempt by Congress to place into statutory language existing methods of review.

APA Legislative History at 415; *see* 92 Cong. Rec. 5741 (1946); *see also* Leon Zitver, *The Administrative Procedure Act*, 28 J. Pat. Off. Soc'y 676 (1946) (APA does not require "serious changes in [Patent Office] practice or policy"; the section on judicial review, for example, "embod[ies] existing practices").

The primary purpose of these judicial review provisions was not only to restate existing law but also to set a minimum standard insofar as any questions existed over the reviewability of agency action or of the important role of judicial oversight. *See APA Legislative History* 303-04 (Senator McCarran: the APA is neither a "specification of the details of administrative procedure . . . [nor] "a codification of administrative law," but rather "an outline of minimum basic essentials"). On the other hand, the drafters of the APA were aware that agency practices and judicial standards varied, that they had not studied all them,[31] and that unless some limitation on the operative effect of the APA was stated, any more searching agency-specific provisions might not survive the APA overlay. A saving (and implementing) section therefore was added as a final section in the APA to provide that these special rules were not limited or repealed by the APA insofar as they were expressed in prior law except that these prior standards had to be "additional requirements" and thus were not to undercut the minima otherwise established in the APA.

The clearest specific reference in the history of the APA to sentence #1 of Section 12 is in the analysis provided by Attorney General Clark's October 1945 statement submitted to Congress as the final bill was being discussed where he stated: "The first sentence of section 12 is intended simply to indicate that the act will be interpreted as supplementing constitutional and legal requirements imposed by existing law." *Attorney General's Manual* at 139 (Appendix B). It recognizes expressly that the APA is the minimum requirement, that the APA supplements other legal requirements, and that the APA's legal requirements are an overlay in addition to the pre-existing law. The Attorney General's description identifies

[31] The *Final Report of the Attorney General's Committee on Administrative Procedure* 4 n.2 (1941) specifically identified ten administrative bodies, including the Patent Office, not studied for various reasons.

no exception in Section 12's sentence #1 for requirements of judicial review.

Finally, there are no grounds for arguing, as petitioner does, that application of Section 12 to continue more searching review of PTO Board fact-finding is inconsistent with the APA's "overarching goals of enhancing the uniformity and certainty of administrative law," Pet. Br. 29, or that the elimination of the PTO exemption from the APA (as compared with the Walter-Logan bill), *id.* at 30, or the even earlier deletion of the "clearly erroneous" test from Walter-Logan before it was debated in Congress, *id.* at 31, provide any insight into what Congress intended in sentence #1 of Section 12 of the APA. First, a single uniform review standard is not imposed by the APA, and Section 706(2) recognizes several different tests depending on the process involved. The uniformity established by the APA is in the minimum procedures and standards to be applied.[32] Second, the elimination of the exemption

[32] Petitioner's citation of *Cousins v. Dep't of Transportation*, 880 F.2d 603, 606 (1st Cir. 1989) (*en banc*) (Breyer, J.) as supporting the proposition that the APA sought to enhance "uniformity" in the scope of judicial review of agency action, Pet. Br. 29 n.11, is inapposite. The ruling in *Cousins* did not in any way address the standard to be applied to review of agency fact-finding. It related solely to the issue of *obtaining* judicial review, and the *en banc* court held unanimously that because plaintiff already had a claim under the APA it was inappropriate and unnecessary to imply one from a substantive statute adopted almost 30 years after the APA was enacted. In doing so, the court specifically recognized that "Congress did not intend the APA to limit review available elsewhere," *id.* at 605, thus also acknowledging that additional bases for obtaining review continued after the APA became law.

Nor is *Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, *supra* at 543-49, to the contrary. See Pet. Br. 20. It barred only the imposition of new judicially crafted procedural requirements beyond those specified in the APA where none were "otherwise recognized by law" at the time the APA was adopted. But it did not in any way restrict more intensive judicial review of agency fact-finding under APA standards, nor was it to be "a talisman under which any agency decision is by definition unimpeachable." *State Farm*, *supra* at 50 (rejecting argu-

for the PTO and more than 20 other agencies, laws, and operations from the APA (as compared with the Walter-Logan bill, *see* Shepherd, *Fierce Compromise* at 1618-19), proves nothing other than that the APA approach was very different. As already noted, the APA concentrated on procedural reforms and a restatement of judicial review standards with a saving clause to preserve pre-existing and more demanding requirements, rather than Walter-Logan's judicialization of the administrative process. Third, the dropping of the "clearly erroneous" test from Walter-Logan *before* it was considered on the floor of Congress proves nothing about the purpose of the judicial review provisions in the APA or the meaning of the saving clause in Section 12.

III. THERE IS NO SOUND REASON TO CHANGE THE "CLEARLY ERRONEOUS" STANDARD OF REVIEW OF PTO BOARD FACT-FINDING

The history of 70 years' consistent application of a more searching standard of review of PTO Board fact-finding by the CCPA and Federal Circuit, the plain language of the saving clause in Section 12 of the APA, this Court's precedents in applying Section 12 as well as other saving clauses, and the structure, purpose and history of the APA all demonstrate the correctness of the lower court's unanimous holding that "section [12] of the Administrative Procedure Act permits" the "continued application of the clearly erroneous standard." Pet. App. 2a. Recognizing, however, that Section 12 alone, "neither require[d] . . . continued application of the 'clearly erroneous' standard of review to fact findings in board decisions nor preclude[d] it," *id.* at 26a, the court of appeals also examined whether its continued application was warranted. It concluded that "section [12 of the APA] and *stare decisis* together justify our continued application of this heightened level of scrutiny to decisions by the [PTO] board." *Id.* at 27a.

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ment that a more robust interpretation of the APA scope of review standard was contrary to *Vermont Yankee*).

The court of appeals gave three reasons for not altering the standard of review: (i) nothing in the court's prior decisions or experience suggested that the clear error doctrine had "become a doctrinal anachronism, nor have the premises underlying it changed to make it irrelevant or unjustifiable," *id.* at 25a; (ii) petitioner made no argument that the "current [clear error] standard of review is unworkable, intolerable, prejudicial, burdensome, or even that it adversely affects the administration of the patent system," *id.* at 24a-25a; and (iii) the current clear error standard "encourage[s] administrative records that more fully describe the metes and bounds of the patent grant" and result in Board decisions that are "well articulated and sufficiently founded on findings of fact." *Id.* at 25a.[33]

Rather than responding to any of these reasons for the Federal Circuit's adherence to settled precedent, petitioner attacks the court's reliance on policy justifications as an impermissible basis for disregarding the terms of the APA. Pet. Br. 32-38. But principles of *stare decisis* in fact were not the basis for the Federal Circuit's holding that Section 12 permitted continued application of a more searching review standard. *Stare decisis* was relied on solely for determining whether the clearly erroneous standard should be continued because Section 12 did not mandate it.[34]

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[33] The court also noted that continuation of the clear error standard would "preserve the confidence of inventors," "promote consistency between [its] review of the patentability decisions of the board and the district courts in infringement litigation," and "avoid situations where board fact finding . . . become[s] virtually unreviewable." *Id.* 26a.

[34] Sentence #1 of § 12 providing that additional requirements are neither limited nor repealed by the APA does not forever prohibit changes in such pre-APA law. If that law was imposed by statute, Congress can change it either by amending the APA or by amending that pre-existing statute "expressly" per sentence #3 of § 12. Where the pre-APA law is nonstatutory, as in the case at bar, the law can be modified either by statute (per sentence #3)

Petitioner's contrary policy arguments fail in any event. First, adoption of the PTO's two-standard scheme—whereby direct appeals to the CAFC under 35 U.S.C. § 141 would be reviewed for the first time under the substantial evidence test and indirect appeals to the CAFC (after an initial review by the United States District Court for the District of Columbia) under 35 U.S.C. § 145 would continue to be reviewed under the clear error test—will skew the review process, impose undue burdens on applicants and inevitably lead to irreconcilable results. See Pet. App. 20a ("expressed purpose" of combining CAFC jurisdiction over district court and PTO appeals "was to increase uniformity of decisionmaking in patent cases");[35] *id.* at 26a (identical review standard "promote[s] consistency between our review of the patentability decisions of the board and the district courts"). *See also Gechter v. Davidson*, 116 F.3d 1454, 1459 (Fed. Cir. 1997) ("From a practical, judicial policy standpoint . . . patentability (validity) issues such as anticipation, whether decided by the Board or by the district courts, should be viewed similarly" by this court.); *In re Leuders, supra* at 1577 (In the context of a PTO reexamination initiated as a result of a district court proceeding "[w]e might thereby be compelled to hold the same patent both invalid and not invalid over the same prior art simply because of the differing standards of review. Surely Congress's acceptance of the established practice intentionally avoided this result by entrusting us with review on a uniform basis of patent appeals, wherever they are from, in recognition of this court's 'judgment in this area of its special expertise,' " quoting *Warner-Jenkinson Co. v. Hil-*

or by the entity that created the legal rule (such as the CAFC) when the reason for the pre-APA requirement no longer continues or changed circumstances warrant its revision.

[35] *See also Markman v. Westview Instruments, Inc.*, 116 S. Ct. 1384, 1396 (1996) (Federal Circuit created by Congress to unify patent law and policy).

ton Davis Chem. Co., 117 S. Ct. 1040, 1054 (1997).). Currently a majority of patentability appeals from the PTO are made directly to the Federal Circuit because it is less expensive and less time consuming than the double-layered review alternative where the appeal must be made first to the district court. *See* Harris A. Pitlick, *Judicial Review of Decisions of the Patent Law and Practice (C909)* 93 (ALI-ABA Course of Study, May 5, 1994). Reducing the intensity of direct appeals to the CAFC under Section 141 will inevitably cause rejected applicants who have the resources to select indirect appeal via the district court under Section 145.

Second, the process for PTO fact-findings warrants the Federal Circuit's more searching review. The determination of patentability involves the adjudication of a constitutionally-based statutory right. U.S. Const. Art. I, § 8, cl. 8. Yet the PTO's administrative process for deciding that issue is remarkable for the absence of usual procedural protections designed to ensure the accuracy of agency fact-finding. Board panels are selected by the Commissioner and are not protected by the safeguards of independence and insulation required of administrative law judges. *See In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994).[36] Board

[36] In *Alappat*, the Commissioner appointed five additional members (including himself, his deputy and assistant) to supplement the original 3-member panel to rehear the original panel's determination that a patent should issue. (The original panel had reversed the examiner who requested the reconsideration by an expanded panel.) The expanded panel then reversed the original panel on a 5-3 vote with the original panel members dissenting. On *en banc* review by the Federal Circuit, the court held that the Board members serve merely as "examiner-employees of the PTO" subject to the Commissioner's control, and thus this appointment of a "stacked" Board, *id.* at 1576 (Mayer, J., dissenting), did not violate the statutory scheme. *See also id.* at n.10 ("principles respecting the independence of judges or other concepts associated with the judicial process are not necessarily applicable to Board members"); *Ex Parte Akamatsu*, 22 USPQ2d 1915 (Bd. Pat. App. & Interf. 1992) (similar appointment of an expanded panel); Michael

hearings are *ex parte* and generally held in confidence. 35 U.S.C. § 122. PTO rules of practice also do not provide for live testimony to be taken, Pet. App. 21a; *see* 37 C.F.R. § 1.133; nor do they allow cross-examination of adverse evidence, *see* 37 C.F.R. §§ 1.194(c), 1.195. Moreover, the practice rules do not prohibit consideration of materials outside the record, 37 C.F.R. § 1.196(b); nor, as the court below noted, are the "board's *ex parte* proceedings . . . 'hearings on the record' within the meaning of 5 U.S.C. § 554 (requiring trial-type procedures and a reliance on a closed record)." Pet. App. 20a.[37] In the circumstances, the "heightened scrutiny" applied over the past century to review of PTO fact-finding seems a modest but appropriate step.

Finally, petitioner argues that the Federal Circuit's application of the clear error standard is an unauthorized "interference" with the PTO's "discharge of the responsibilities that have been delegated to it by Congress" and hence a violation of this Court's precedents in *Vermont Yankee*, *Steadman* and *SEC v. Chenery Corp.*, 332 U.S. 194 (1947). Pet. Br. 39-40. That argument is premised

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W. Blommer, *The Board of Patent Appeals and Interferences*, AIPLA Bull. 188 (1992) (quoting letter from 33 Examiners-in-Chief to Commissioner identifying " 'disturbing pattern of interference with the normal course of deciding appeals' " including " 'manipulation' of the 'composition of panels' or 'special selection of panels' to reach a predetermined or predecided outcome").

[37] Petitioner has conceded that "the PTO is not subject to §§ 556 & 557 of the APA. PTO Reply Brief on Rehearing before *En Banc* CAFC at 16. Nor is it otherwise "reviewed on the record of an agency hearing provided by statute," because there is no such statutory requirement and because a closed-record hearing is not provided. Thus, the conditions of § 706(2)(E) are not met. *Accord* Brief of Intellectual Property Professors as *Amicus Curiae* in Support of Petitioner 7-8 (substantial evidence test "inapplicable here"). On the other hand, petitioner also acknowledges that something "somewhat more searching" than the arbitrary and capriciousness test of § 706(2)(A) is required. Pet. Br. 21.

on the mistaken assumption that heightened review is not authorized here by Section 12. If, however, as the court below found, the clear error standard is an additional pre-APA requirement recognized by the saving clause in the APA, then the APA obviously provides the necessary authorization and these cases are inapposite. In any case, they add nothing to the argument and have no application in determing the central issue in this case, namely, whether the APA's saving clause in Section 12 permits the continuation of the long-standing clear error standard to be applied to review of fact-finding by the PTO.

CONCLUSION

Judicial review of PTO Board fact-finding under "the 'clearly erroneous' standard (or 'its close cousins')" satisfies each of the conditions of Section 12 of the Administrative Procedure Act. It applies to matters covered by the APA, including the scope of judicial review otherwise set by Section 706(2); it is "recognized by law" because it is case law that has been applied with remarkable consistency by courts reviewing PTO Board fact-finding since 1929 and it was being applied in 1946 when the APA was enacted; and it imposes an "additional requirement" on reviewing courts (and thereby on the agencies) because it is more searching than the APA's scope of review standards. Since 1946, Congress has chosen not to modify the clearly erroneous standard despite numerous revisions of the patent code, including revisions of other provisions for judicial review. See Pet. App. 18a-19a. Finally, the clearly erroneous review standard has served the patent system well, has not caused an excessive number of reversals,[38] and has not been shown to affect APA-based

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[38] A review of the computerized records of the Federal Circuit reveals that of 368 appeals from the PTO between October 1, 1990 and September 30, 1998, the court reversed 32 or fewer than 9%. Letter from Cassandra Smith, Deputy Clerk, U.S. Court of Appeals for the Federal Circuit, to Professor Janice M. Mueller, dated December 22, 1998.

judicial review applied to any other agency. The case has not been made that the clear error standard applied by the Federal Circuit should be overturned by this Court. Therefore, the decision of the Federal Circuit should be affirmed.

Respectfully submitted,

Of Counsel

JANICE M. MUELLER
Assistant Professor of Law
Suffolk University Law School
Beacon Hill, 41 Temple Street
Boston, MA 02114
(617) 573-8171

RUSSELL WONG
IRENE KOSTURAKIS
Law Department
Compaq Computer Corporation
P.O. Box 692000
Houston, TX 77269-2000
(281) 514-5167

ERNEST GELLHORN
(Counsel of Record)
JEFFREY S. LUBBERS
ANN G. WEYMOUTH
Suite 100
2907 Normanstone Lane, NW
Washington, DC 20008-2725
(202) 319-7104
Counsel for Respondents

APPENDIX

APPENDIX A

Pre-1929 D.C. Court of Appeals Cases Reviewing Patent Office Fact-Findings

Oldroyd v. Morgan, 24 F.2d 1004, 1005 (D.C. Ct. App. 1928) ("It thus appears that Morgan's right to make the claim in issue has been affirmed by three concurring decisions of the Patent Office, and it is the established rule that ordinarily such decisions will be accepted by this court as conclusive, and will not be reversed, except in extreme cases, where *palpable error* has been committed.") (emphasis added).

Harbridge v. Perrin, 295 F. 927, 930 (D.C. Ct. App. 1924) ("The question for solution is one of fact. The three tribunals [of the Patent Office] found that Perrin's carrier had substantially the same construction as Harbridge's, and that the issue[d] claims read on both. It is by no means *clear that they were wrong*, and we therefore concur in their conclusion. *Rees v. White*, 48 App.D.C. 150; *Greenawalt v. Dwight*, 258 Fed. 982, 49 App.D.C. 82, and cases cited.") (emphasis added).

Hopkins v. Riegger, 262 F. 642, 643 (D.C. Ct. App. 1920) ("Both parties claim the inventive idea, each asserting that the other derived it from him. There is evidence tending to support the cause of each, but it is not necessary for us to go into an analysis of it. The three tribunals of the Patent Office decided in favor of Riegger. Where they concur, the question being one of fact, as here, we will not review the Commissioner's decision, unless it be *manifestly wrong*.") (emphasis added).

Bonine v. Bliss, 259 F. 989 (D.C. Ct. App. 1919) ("The tribunals of the Patent Office unanimously found on the issue of fact that Bliss was the first to conceive and reduce the invention to practice. The rule that we will not disturb such a finding, except for *palpable error*, applies with exceptional force to this case. No other reasonable con-

clusion could have been reached from the evidence.") (emphasis added).

Greenawalt v. Dwight, 258 F. 982 (D.C. Ct. App. 1919) ("It is well established that, where the three tribunals agree upon a question of fact, this court will not disturb their decision, unless it is *clear that a mistake was made. Jobski v. Johnson,* 47 App.D.C. 230; *Bourn v. Hill,* 27 App.D.C. 291; *Flora v. Powrie,* 23 App.D.C. 195; *Grammeter v. Thropp,* 42 App.D.C. 564.") (emphasis added).

Podlesak v. McInnerney, 26 App. D.C. 399, 405 (D.C. Ct. App. 1906) ("Where, however, three tribunals of the Patent Office have concurred in answering the question . . . [of appellee's right to make the claim], we shall follow them unless a manifest error has been committed.").

In re Beswick's Appeal, 16 App. D.C. 345, 350 (D.C. Ct. App. 1900) (affirming Patent Office where applicant failed to "make out a clear case of error").

In re Barratt, 11 App. D.C. 177, 179 (D.C. Ct. App. 1897) (refusing to reverse Patent Office in the absence of a "clear case of error").